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TAGS: [EFIN](#) [ENRG](#) [TU](#)

SUBJECT: TURKEY: EUROPE MUST COUNT TURKEY AS PART OF ITS
ENERGY CALCULATIONS

REF: A. WHITE HOUSE 082014Z OCT 08

[1](#)B. ANKARA 1754

Classified By: DCM Douglas Silliman for reasons 1.4 b and d.

[1](#)1. (C) Summary: DCM and EconCouns met with Energy U/S Selahattin Cimen on October 16 to present copies of President Bush's letters to PM Erdogan and President Gul (reftel a) and to discuss Ministry of Energy (MOE) views on Turkey's energy supply policy. Cimen said Turkey appreciates the sincerity of the
USG offer to help expand non-gas power generation, but Turkey is being asked to make real sacrifices on its gas needs while Europe, which will benefit from gas transit, is unwilling to make sacrifices on its needs. Cimen argued that, even with new, higher SD II volume projections, there is not enough gas to meet Turkey,s needs and make Nabucco and TGI bankable. Cimen asked whether the USG prefers to realize Nabucco or TGI, hinting that the Azeris would soon ask us to choose. We told him the USG's interests are strategic, not commercial, and that we expect the private sector to determine which project gets completed first. Cimen said Turkey,s 15 percent netback formula was proposed to meet both Turkey,s and the EU,s needs, but he would consider recommending it be taken off the table if it will advance negotiations. There were no concrete developments from recent GOT meetings with Iraqi energy officials or from PM Erdogan,s early October trip to Turkmenistan. End summary.

[1](#)2. (C) Concerning the President,s letter, Cimen appreciated the U.S. offer of technical assistance and promises of financing to attract private investment into electricity production from sources other than natural gas. However, in the next six months Turkey will have to make hard decisions about "real sacrifices" of Turkish energy supply interests, and all the U.S. can offer is help to find medium- and long-term alternatives. However sincere the USG offer is, "you cannot produce" concrete private sector U.S. projects within the next six months.

[1](#)3. (C) Cimen noted that the EU is not even offering that much. Europe, if it is serious, must share Turkey,s sacrifice and include Turkey,s energy needs in its calculation of Europe,s energy needs.

[1](#)4. (C) Cimen described Turkey,s 15 percent netback formula as as a flexible approach that meets both Turkish and EU energy security needs, but is more expensive for companies. Turkey is asking only that 15 percent of production be marketed in Turkey -- it will not be reserved for BOTAS. Cimen said he believes the 15 percent formula is workable,

but is considering recommending it be withdrawn if that will help move the process forward. We urged him to take any steps he could to get process in the negotiations on transit.

Nabucco or TGI?

15. (C) Cimen had just returned from Budapest and Vienna where he had meetings on the Nabucco project. The Austrians told him that the EU will not authorize Austria to sign the Nabucco Host Government Agreement because it violates EU regulations. This is another example of both the difficulty of the Nabucco project and negotiating with a Europe that has no energy policy.

16. (C) We asked whether Cimen was aware of new BP projections that the Shah Deniz phase II (SDII) project could produce 15-16 BCM annually. Cimen said he was not aware of them, but that the GOT has been assuming 14-16 BCM would come out of SDII. Even assuming it reached 16-18 BCM, as Edison believes it could, Cimen said SDII does not have enough gas to supply Turkey,s needs, TGI and Nabucco. Azerbaijan and Georgia together will take 4 BCM, Edison wants 10 bcm for TGI, and that leaves at best 4 bcm for Turkey and Nabucco. He discounted claims that the project,s first stage could be financed with just 8 BCM of gas: "the bankers will want to see a guaranteed supply that will take it to full capacity (31 BCM). There is not enough gas in SDII even if Nabucco takes it all." Note: In a separate meeting, Turkey,s Nabucco Coordinator told us OMV,s feasibility study shows Nabucco is commercially viable with half of the total capacity filled, i.e., 15.5 BCM. End note.)

17. (C) Cimen asked us whether, if the USG were forced to choose, it would prefer TGI or Nabucco? We should not be surprised if the Azeris ask us in the near future to chose between continuing Nabucco and completing TGI, even if that means delaying Nabucco for years. We told Cimen that the USG,s interest is strategic, not commercial. We want to see a commercially viable Southern Corridor that moves Caspian gas to Europe without going through Russia. We are not prioritizing one project over the other, and assume the private sector will determine which project is completed first. We also noted that Azerbaijan,s interest in developing SDII also is strategic rather than commercial, and that the Azeris may view one project as better meeting their strategic interests than the other.

No Movement with Iraq or Turkmenistan

18. (C) We asked Cimen about any substantive outcomes from Turkey,s meetings with Iraqi energy officials in Antalya and Istanbul (reftel b). Cimen said there had been no concrete developments. Turkey continues to advocate for a pipeline to take Akkas and Dana gas north into Turkey and on to Europe. Cimen noted that Turkey could also provide Iraqi gas to Syria from that pipeline. But the Iraqis thus far have not given Turkey any response to this proposal. He also intimated that nothing new came out of PM Erdogan,s October 3-4 trip to Turkmenistan.

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